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SENSITIVE, SIPDIS

AF/E FOR PFIERST, AF/RSA FOR LMAZEL, LGRIESMER, RBOWLES
TREASURY FOR REBECCA KLEIN
COMMERCE FOR ROBERT TELCHIN

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TAGS: [PGOV](#) [PREL](#) [EFIN](#) [ECON](#) [EAID](#) [XA](#) [SO](#)
SUBJECT: SOMALIA - CHINESE ENGAGEMENT

REF: STATE 10152

1. (U) The following cable provides responses to action request in reftel on Chinese engagement in Somalia.

Chinese Engagement in Trade and Investment

2. (SBU) The Sino-Somali relationship has remained strong since the establishment of diplomatic relations in December 1960. During the Siad Barre regime China was very active in Somalia, initiating several large infrastructure projects. In past years, the Chinese government has made no significant infrastructure improvements and it has launched no "showpiece" projects in the country.

3. (SBU) Chinese interest in Somalia has historically been in the trade of basic commodities. Somalia's Transitional Federal Government (TFG) maintains no trade statistics, but reporting from the Chinese government indicates that in 2002, the total trade volume between the two countries was USD 3.39 million. By 2005, Somalia-China bilateral trade was estimated at USD 19.64 million. Although more recent statistics are unavailable, current and former TFG officials estimate that this trade volume has significantly increased in the last few years. Somali businessmen (and businesswomen) make regular trips to China to purchase basic foodstuffs, textiles, clothes, and other goods. These imports most often arrive in Somalia by ship and with favorable pricing as a result of Somalia's informal tariff structure. Most goods are distributed in the sub-region.

4. (SBU) Somalia's rapidly growing telecommunications sector is powered predominantly by Chinese equipment. Chinese companies provide "soft loans" to the telecom operators to purchase equipment. Our contacts shared some details of a deal that was signed in 2008 for approximately USD 25 million. They told us that this scale of business deals is common. Chinese companies are some of the few that are willing to send technicians into Somalia to set up and maintain the equipment. Anecdotal reports indicate that there are often Chinese businesspersons within the country and most are associated with large telecommunications projects.

5. (SBU) China is especially interested in potential opportunities for petroleum exploration. China is reported to have secured the rights to oil blocks in the Puntland region. Media reports indicate that in January, the acting TFG Minister of Petroleum met

with the Chinese Minister of Petroleum in Khartoum to discuss an upcoming mission to Somalia. While no formal engagements have been reported, we understand that Chinese officials and businessmen are laying the groundwork for trade and investment in the oil and gas sectors, primarily through informal relationships with local and regional authorities.

Political Engagement

¶6. (SBU) China was one of the earliest supporters of the TFG when it was established in October 2004. In December 2004, China donated computers and office equipment to the TFG and in December 2005, signed several agreements providing over USD 6 million in economic assistance to Somalia. At the signing ceremony, the Chinese government granted an additional USD 100,000 in cash to the Somali government. We understand that China made additional periodic cash contributions to President Yusuf. Our contacts told us that the support was always in cash payments and that most of it was disbursed within the TFG cabinet.

¶7. (SBU) Between 2004 and 2007, President Yusuf and the TFG maintained a close relationship with China. The Chinese government funded the construction of a canal in Jowhar, the city which was

Yusuf's base. The canal provides irrigation for agricultural development in the area and prevents flooding during the rainy season. China made a USD 500,000 donation to the World Health Organization to support projects in Somalia. In 2008, the Chinese government pledged to contribute USD 2 million to rehabilitate Villa Somalia, the presidential palace in Mogadishu. We understand that USD 1 million was transferred to the TFG for Somali contractors to do the renovations but it is unclear if this project was ever completed. The Chinese government also pledged to renovate the national stadium and theater in Mogadishu.

¶8. (SBU) During the Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) in November 2006 Chinese President Hu Jintao promised President Yusuf that China would support the TFG's peace and reconstruction efforts. However, China has had little direct involvement with political issues in Somalia. The Somali Ambassador to Kenya told us that "China is not concerned with politics, only economics, and is positioning itself for commercial advantages in post-conflict Somalia." China gave the Somali Mission to Kenya two vehicles for official and personal use. The TFG Ambassador to Kenya regularly drives one of the Land Cruisers and his Deputy Chief of Mission drives the other.

¶9. (SBU) The Chinese government has continued the tradition of support to the TFG with President Sharif's government. In September 2009, China provided direct bilateral assistance through a USD 500,000 contribution that the TFG dispersed through the PriceWaterhouseCoopers financial management and oversight mechanism. TFG and Puntland officials tell us that China's priority area of engagement remains its quest for natural resources, especially oil.

¶10. (SBU) China does not have a permanent mission in Somalia and conducts diplomatic relations through a liaison office in Nairobi. With a staff of approximately four, the Chinese "Somalia Unit" is led by a Somali-speaking official who attended university in Mogadishu. Through the Embassy of Somalia in Beijing, China provides scholarships to students for study to China and more

recently, sponsored study tours for Somali journalists.

U.S. - China Collaboration

¶11. (SBU) There is little direct engagement, cooperation, or coordination between the American and Chinese Missions on Somalia. In 2007, the Chinese Ambassador to Somalia travelled to Mogadishu in support of the National Reconciliation Congress. While the mission indicated China's willingness to support Somalia's political progress, there was no official Chinese presence during the subsequent Djibouti Process.

¶12. (SBU) Chinese activities in Somalia are not directed through the international donor groups that meet regularly to share information and coordinate activities across the Somali territory. With a demonstrated interest in rehabilitation of key locations, infrastructure development may be an area that would benefit from increased bilateral cooperation. At present, there are no examples of U.S.-China coordination in Somalia. U.S. Mission efforts to contact the Chinese "Somalia Unit" in Nairobi have not to date been successful.
RANNEBERGER